

Decision No. 34433

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Amador Central Railroad Company for authority to abandon its line of railroad between Ione and Martell in Amador County, California.

Application
No. 22200

ORIGINAL

E. O. ERICKSON, for applicant.

WALKER D. MANNING, for Argonaut Mining Co., Ltd.,
other mines and Amador County Chamber of Commerce.

G. A. STARKWEATHER, for Western Investment Company
and owners of the Arroyo Seco Grant.

DAVID R. EISENBACH, for Ione Fire Brick Company.

DONALD K. GILL, for Le Roi Mines, Inc.

BY THE COMMISSION:

O P I N I O N

The applicant, Amador Central Railroad Company, is a corporation of the State of California engaged in the operation of a line of railroad in interstate and intrastate commerce between Ione and Martell, all in Amador County, California. Approximately 75 per cent of its traffic is intrastate and 25 per cent interstate.

Applicant alleges that during the last several years this line of railroad has been conducted at a loss and its financial condition at present is such that it can no longer continue to operate.

A public hearing was held in the matter before Examiner Edwards at Jackson, Amador County, on October 27, 1938, at which time the matter was duly submitted. A review of the evidence and testimony introduced by both applicant and certain protestants follows herewith.

The line involved was constructed in 1908 and opened

for operation in that year. The ruling grade easterly on the track ranges from 2 to 2.5 per cent but reaches a maximum of 3.7 per cent in several places. In fact there is very little straight track as the road follows the hillsides. There is approximately 9 miles of 45-pound iron rail and approximately 3 miles of 56-pound and 60-pound steel rail. Applicant testified that the condition of the track and roadbed, from a maintenance standpoint, is very poor because very little work has been done on it for the past five years. Approximately 75 per cent of the cross ties need replacement and much of the 45-pound rail is badly bent. There are 12 trestles, 8 of which are longer than 300 feet, and all are in need of repair. Applicant stated that during the period prior to 1925, it had earned a small profit before fixed charges, but that there had never been any profit after fixed charges since its inception. Interest charges on the bonded indebtedness (at 5 per cent) were paid up until 1925 and defaulted during the ensuing five years. In 1931 a 15 per cent payment was made in full satisfaction of the accumulated interest then due. Since 1931 no payments have been made, either on interest or principal. The net railway operating deficits (1) of the carrier during the calendar years 1933 to 1937 and the six months period ending June 30, 1938, are as follows:

1933	-	\$6,982	1936	-	\$3,695
1934	-	3,269	1937	-	3,655
1935	-	2,853	1938(6 mos.)		6,772

Attention was called to the fact that at one time, before it met with motor competition, its passenger revenues had amounted to between \$20,000 and \$25,000 per year. No passenger service has been operated for seven or eight years.

(1) After allowance for (a) non-operating revenues and expenses and (b) fixed interest charges, the deficits were as follows:

<u>Years</u>	<u>(a)</u>	<u>(b)</u>	<u>Years</u>	<u>(a)</u>	<u>(b)</u>
1933	\$6,102	\$16,479	1936	\$3,022	\$15,200
1934	2,573	13,677	1937	2,658	14,796
1935	2,006	14,238	1938 (6 mos)	6,519	11,706

Applicant pointed out that its current liabilities amounted to approximately \$6,000⁽²⁾ while its current assets were almost nil. It has two locomotives, one of which is too heavy to operate under the present condition of the track and the other is being operated in spite of its need for heavy repairs.

The sharp increase in the losses for the first six months of 1938 arose partly from the reconstruction of a trestle following a fire and partly from certain fires in the mines which reduced the volume of shipments. The carrier pointed out that in the year 1931 it was in a relatively prosperous condition in virtue of heavy shipments made over its lines by the Pacific Gas and Electric Company in connection with power plant construction work. It was in virtue of this traffic that it was able to meet the interest payments made in that year and to set aside at that time a reserve fund of approximately \$8,000. During the ensuing years the Board of Directors of the carrier has drawn upon this to meet the current losses until at the present time only \$200 is left. Overdrafts at other banks are sufficient to wipe out this balance.

(2) These current obligations arise from unpaid bills for timber, ties, trestle reconstruction following a fire, taxes, attorney's fees, certain refunds due employees under the employee retirement act, etc.

In virtue of the amount of deferred maintenance the carrier testified that continued operation of the road is no longer safe, that the cost of the overtime arising because of the speed restrictions and the numerous derailments amounted to about \$1,000 during the past year. To make the line safe for continued operation would require the immediate expenditure of approximately \$5,000 plus an additional \$5,000 within the next year, this to be followed by an annual maintenance expenditure of approximately \$1,000 thereafter. Applicant stated that it had no funds whatsoever to provide for such rehabilitation as all cash and other assets, except the right of way, rails, and equipment, have been consumed. It was testified that attempts have been made to obtain financial assistance in the form of contributions or otherwise from the connecting carrier and from local businessmen who did not wish to see the line discontinued. It had had no success in this direction, however. No ties have been purchased since last spring and the carrier has found itself unable to pay as yet even for those which it had purchased at that time. It now finds itself in the position where both its cash and its credit have been exhausted.

In closing his testimony, witness for applicant frankly stated that, irrespective of whatever action regulatory bodies might take in the matter, the road could not continue after the first rains this winter for the reason that the ties are now so deteriorated that when they become softened with moisture it will be impossible to keep the rails from turning over or from spreading. Continued operation would be impossible.

Applicant pointed out that California State Highway No. 104 paralleled its line from Ione to Martell, over which truck lines operated, including the Pacific Motor Transport, a common

carrier.

The principal shippers affected are the mines which bring in timber products and fuel oil, and ship out ore concentrates, and the clay products companies which manufacture fire brick and other clay products. A witness for the Ione Fire Brick Company, which has a plant located one and one-half miles from Ione, stated that his company would probably have to discontinue operations if the rail service were abandoned, inasmuch as the cost of trucking to the Southern Pacific rail point at Ione would be prohibitive.

Witness for the Jackson Lumber Yard stated that if the services were abandoned, it would be necessary to bring in the lumber by truck from Ione at an increased cost and at some inconvenience.

A witness for the Argonaut Mining Company pointed out that the railroad facilities were superior to those of the trucking industry in the movement of ore from this company's mine near Martell to the plant at Selby, California. This large shipper, during 1936 and part of 1937, moved its products by truck but, while the rates were lower, it found the service to be unsatisfactory because of the tendency of the trucks to overload and spill the valuable concentrates. The retention of the rail service was desired. The testimony on behalf of certain other mines was generally of similar nature.

It was brought out by shipper witnesses that the recent losses of the carrier had been accentuated by fires and labor troubles in the mines, and that if these disturbing factors were removed and a moderate increase in business obtained, the carrier's income might be made to equal its outgo. The substance of such testimony was to the effect that if the carrier had funds to rehabilitate its properties, the prospective volume of traffic might be sufficient to justify and support continued operations.

C O N C L U S I O N S

It is apparent from the record that this carrier cannot much longer continue under its present conditions. Two hurdles would have to be overcome if operation were to be continued, the first being an increase in the volume of traffic sufficient at least to meet the out-of-pocket expenses for train operation and to maintain the road in a safe condition, and the second being the procurement of an estimated amount of \$10,000 for immediate rehabilitation work. No attempt is here made to pass upon the correctness of the shippers' estimates as to probable new traffic, but it is quite plain from the record that the carrier cannot overcome the second hurdle. It appears to be a case where the carrier, in order to maintain its existence, has for some time past been meeting its bare out-of-pocket costs from current revenues and by drawing on its reserve funds, ignoring, of necessity, much required maintenance work. Under such conditions the operation could only continue until such time as the plant was worn out and such cash reserve exhausted. That time has apparently arrived. It further appears from the record that there is no prospect of the applicant obtaining or providing the required rehabilitation funds. There appears to be no recourse but to grant the authorization which applicant requests. However, despite the pressing nature of applicant's case, it is desirable that shippers be provided with sufficient notice to permit them to make the necessary adjustments which would follow the abandonment of the rail service.

O R D E R

A public hearing having been held in the above-entitled proceeding and the matter having been duly submitted,

IT IS HEREBY ORDERED that the Amador Central Railroad Company be authorized to abandon all operations and to cancel its tariffs and time schedules on file with this Commission, same to be effective not earlier than twenty (20) days from the effective date of this order and on not less than twenty (20) days' notice to this Commission and to the public.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 5th day of November, 1938.

Ray B. Wiley

Frank A. Allen

Ray & Allen

Commissioners